

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2393 - SB 2553

February 6, 2022

SUMMARY OF BILL: Deletes requirements for biennial audits of municipal governments in favor of annual audits performed by either a certified public accountant (CPA) or the Comptroller of the Treasury's (COT) Department of Audit and approved by the COT. Requires the governing body of the municipality to appropriate sufficient funds for the cost of each audit.

Authorizes the COT to appoint a CPA or a certified municipal finance officer (CMFO) to assist with preparing financial records for the audit if a municipality fails to prepare such records in a timely manner.

Establishes that each audit is public record and subject to inspection.

FISCAL IMPACT:

NOT SIGNIFICANT

Assumptions:

- Municipalities currently pay for their annual financial and compliance audit; therefore, it is assumed that it is the responsibility of municipalities to pay for an annual audit.
- The proposed legislation authorizes the COT to appoint a CPA or CMFO to prepare the financial records for the audit of a municipality that fails to prepare such records in a timely manner.
- According to information provided by the COT, 471 municipal-related audits are reviewed by the COT each year. Of those audits, approximately 15 are typically considered "habitually late," or filed with the COT at least 12 months past the fiscal year for three consecutive years.
- It is estimated that no more than 15 municipal entities would require the service of a COT-appointed CPA or CMFO each year.
- Based on information provided by the COT, any costs related to a COT-appointed CPA or CMFO can be absorbed by the COT using existing resources.
- Tennessee Code Annotated § 6-56-104 provides that the result of each biennial audit is to be kept as public record and subject to inspection; therefore, requiring the results of an annual audit to be kept as public record and subject to inspection will not result in any fiscal impact to local government.

HB 2393 - SB 2553

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/mp